

**CITY OF ELDRIDGE, IOWA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**AND QUESTIONED COSTS**

**JUNE 30, 2011**

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**CITY OF ELDRIDGE, IOWA**  
**OFFICIALS**  
**June 30, 2011**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marty O'Boyle	Mayor	January 2014
Steve Puls	Council Member	January 2012
Brain Wood	Council Member	January 2012
Bernie Peeters	Council Member	January 2012
Brian Dockery	Council Member	January 2014
Steve Mohr	Council Member	January 2014
Donald M. Stoltenberg	Utility Board Trustee	February 2011
John Powell	Utility Board Trustee	February 2012
Adrian Blackwell	Utility Board Trustee	February 2014
Michael E. Ripperger	Utility Board Trustee	February 2015
Kevin A. Kroeger	Utility Board Trustee	February 2016
John R. Dowd	City Administrator	
Matt Van Waus	Assistant City Administrator	
Denise M. Benson	City Clerk	
Thomas R. Shirman, Jr.	City Attorney	
Brian Wessel	Public Works Director	
David M. Kopatich	Police Chief	
Tyler Schmidt	Fire Chief	
Myron K. Scheibe	City Engineer	
Bob Kuehl	Building Inspector	
Dan Glunz	Utility Manager	
Pat Bredow	Community Center Manager	
Julie Moore	Fitness Director Manager	

## Independent Auditor's Report

The Honorable Mayor and  
Members of the City Council  
City of Eldridge, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Eldridge, Iowa, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011, on our consideration of the City of Eldridge, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eldridge, Iowa's financial statements as a whole. The combining and individual nonmajor fund financial statements, and schedule of revenues by source and expenditures by functions, included in Schedules 1 through 3, are presented for purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Miner, Lihoy & Mezole*  
*Certified Public Accountants, PC*

Clinton, Iowa  
October 19, 2011

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

The City of Eldridge, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements.

**2010 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental program and activity revenues increased \$359,109 or approximately 9.24% over the prior fiscal year. Program expenses of the City's governmental activities decreased \$129,610 or approximately 2.24% over the prior fiscal year.
- Revenues of the City's business type activities increased \$763,511 or approximately 13.11% over the prior fiscal year. Business type activities expenses also increased \$260,387 or approximately 4.07% over the prior fiscal year.
- The City's total net assets decreased \$1,480,793 or approximately 2.73% from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities decreased \$1,396,315 and the net assets of the business type activities decreased \$84,478.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City of Eldridge, Iowa as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplemental Information provides detailed information about the City's nonmajor governmental funds and special revenue funds. In addition, the schedule of revenues by source and expenditures by function provides historical detail for the governmental funds over the last four years.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**REPORTING THE CITY'S FINANCIAL ACTIVITIES**

1) Government-wide Financial Statement

The Statement of Net Assets and the Statement of Net Activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental payments finance most of these activities.
- Business-type Activities include the water and electric utilities, sanitary sewer system, the community center, and the fitness center. These activities are financed primarily by user charges.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**REPORTING THE CITY'S FINANCIAL ACTIVITIES (CONTINUED)**

2) Fund Financial Statements

The City has two kinds of funds:

**Governmental funds** account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include the General Fund; the Special Revenue Funds, such as Road Use Tax, Sales Tax Projects, Hotel Tax, and TIF funds; Capital Project funds of Capital Improvement and Street Projects; and Debt Service. These funds are reported using the current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balance. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

**Proprietary funds** account for the services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Proprietary funds include the Electric Fund, Water Fund, Sewer Fund, Community Center Fund and Fitness Center Fund, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.



**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Current and other assets	\$ 4,308,753	\$ 4,613,784	\$ 5,933,336	\$ 5,156,030	\$10,242,089	\$ 9,769,814
Capital assets	<u>10,006,454</u>	<u>11,580,432</u>	<u>42,748,078</u>	<u>44,167,787</u>	<u>52,754,532</u>	<u>55,748,219</u>
Total assets	<u>14,315,207</u>	<u>16,194,216</u>	<u>48,681,414</u>	<u>49,232,817</u>	<u>62,996,621</u>	<u>65,518,033</u>
Other liabilities	2,169,938	2,021,543	189,791	121,480	2,359,729	2,143,023
Long-term liabilities	<u>4,415,313</u>	<u>5,046,402</u>	<u>3,448,002</u>	<u>4,074,238</u>	<u>7,863,315</u>	<u>9,120,640</u>
Total liabilities	<u>6,585,251</u>	<u>7,067,945</u>	<u>3,637,793</u>	<u>4,195,718</u>	<u>10,223,044</u>	<u>11,263,663</u>
Net assets:						
Invested in capital assets,						
net of related debt	5,421,454	6,645,432	39,415,160	40,255,810	44,836,614	46,901,242
Restricted	1,180,898	1,245,874	420,575	603,075	1,601,473	1,848,949
Unrestricted	<u>1,127,604</u>	<u>1,234,965</u>	<u>5,207,886</u>	<u>4,269,214</u>	<u>6,335,490</u>	<u>5,504,179</u>
Total net assets	<u>\$ 7,729,956</u>	<u>\$ 9,126,271</u>	<u>\$ 45,043,621</u>	<u>\$45,128,099</u>	<u>\$52,773,577</u>	<u>\$54,254,370</u>

Net assets of governmental activities decreased \$1,396,315 or approximately 15.30%. Net assets of business type activities decreased \$84,478 or approximately .19%. The largest portion of the City's net assets was invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, were \$6,335,490 at the end of this year, compared to \$5,504,179 in the prior fiscal year.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues:						
Charges for service	\$ 550,183	\$ 523,934	\$ 6,538,065	\$ 5,776,668	\$ 7,088,248	\$ 6,300,602
Operating grants and contributions	155,248	350	-	168	155,248	518
General revenues:						
Property tax levied for:						
General purpose	1,682,853	1,579,291	-	-	1,682,853	1,579,291
Debt service	37,740	37,682	-	-	37,740	37,682
Tax increment financing	544,048	456,173	-	-	544,048	456,173
Franchise tax	47,450	46,813	-	-	47,450	46,813
Road use tax	485,472	445,913	-	-	485,472	445,913
Local option sales tax	677,416	647,729	-	-	677,416	647,729
Assessments	4,891	4,867	-	-	4,891	4,867
Interest on investments	3,383	5,343	11,190	10,299	14,573	15,642
Miscellaneous	50,122	139,652	34,760	35,769	84,882	175,421
Gain on disposition of assets	8,050	-	2,400	-	10,450	-
Total	<u>4,246,856</u>	<u>3,887,747</u>	<u>6,586,415</u>	<u>5,822,904</u>	<u>10,833,271</u>	<u>9,710,651</u>
Program expense						
Public safety	838,048	719,231	-	-	838,048	719,231
Public works	3,715,560	3,936,824	-	-	3,715,560	3,936,824
Culture and recreation	205,858	355,184	-	-	205,858	355,184
Community and economic development	248,406	270,039	-	-	248,406	270,039
General government	447,182	285,350	-	-	447,182	285,350
Interest on long-term debt	199,917	217,953	153,743	190,986	353,660	408,939
Electric	-	-	4,111,364	3,919,697	4,111,364	3,919,697
Water	-	-	650,391	699,748	650,391	699,748
Sewer	-	-	1,203,170	1,036,288	1,203,170	1,036,288
Community center	-	-	281,647	273,497	281,647	273,497
Fitness center	-	-	258,778	271,450	258,778	271,450
Loss on disposition of assets	-	-	-	7,040	-	7,040
Total	<u>5,654,971</u>	<u>5,784,581</u>	<u>6,659,093</u>	<u>6,398,706</u>	<u>12,314,064</u>	<u>12,183,287</u>
Changes in net assets						
Before transfers	(1,408,115)	(1,896,834)	(72,678)	(575,802)	(1,480,793)	(2,472,636)
Transfers	11,800	27,800	(11,800)	(27,800)	-	-
Net assets, beginning of year	<u>9,126,271</u>	<u>10,995,305</u>	<u>45,128,099</u>	<u>45,731,701</u>	<u>54,254,370</u>	<u>56,727,006</u>
Net assets, end of year	<u>\$ 7,729,956</u>	<u>\$ 9,126,271</u>	<u>\$45,043,621</u>	<u>\$45,128,099</u>	<u>\$52,773,577</u>	<u>\$54,254,370</u>

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Net assets of governmental activities decreased \$1,396,315 during the year. Revenues for governmental activities increased by \$359,109 over the prior year primarily attributable to a increase in grants and contributions of \$154,898; an increase of property taxes of approximately \$104,000 due to the increase in rates and assessed values; an increase of \$87,875 in tax increment financing; and an increase of approximately \$30,000 and \$40,000 in local option sales taxes and road use tax, respectively. However, these increases were offset by a decrease in interest and miscellaneous income in comparison to the prior year.

The cost of all governmental activities this year was \$5,654,971 compared to \$5,784,581 last year. The 2.24% (\$129,610) decrease in expenses was primarily due to the decrease in public works and culture and recreation expenditures in the current year as compared to the prior year.

Net assets of business type activities decreased by \$84,478 or .19% from the prior year. Charges for services totaled approximately \$6.5 million, increasing \$761,397 over the prior year. However the increase in revenue was offset by increases in operating expenses, especially in the electric and sewer funds, which resulted in increased expenses of \$191,667 and \$166,882, respectively over the prior year expenses.

**INDIVIDUAL MAJOR FUND ANALYSIS**

**Governmental fund Highlights**

As the City of Eldridge completed the year, its governmental funds reported a combined fund balance of \$2,373,815, which is less than the \$2,543,336 total fund balance at June 30, 2010. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior.

The General Fund showed an increase in fund balance of \$59,128 from the prior year to \$1,276,036. Revenues increased by \$133,107 or 6% to \$2,343,960, while expenditures increased by \$215,985 or 10.4% to \$2,291,632 over the prior year. Other financing sources remained the same in comparison to the prior year.

The Special Revenue, Road Use Tax Fund that accounts for road construction and maintenance, had a decrease in fund balance of \$365,229 at June 30, 2011, primarily due to capital project expenditures. This fund ended the fiscal year 2011 with a \$215,790 deficit balance compared to the prior year's ending fund balance of \$149,439. This deficit fund balance resulted from increased capital projects in comparison to road use tax revenues earned in the current period.

The Special Revenue, Sales Tax Projects Fund accounts for the tax revenues and the capital improvements, purchases of equipment and community programs and services for which they are used. This fund had a increase of \$73,511 in fund balance at June 30, 2011. Transfers out to operating funds decreased by \$6,500 to \$253,500 in the current year.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**INDIVIDUAL MAJOR FUND ANALYSIS (CONTINUED)**

**Proprietary Fund Highlights**

The Enterprise, Electric Fund, which accounts for the operation and maintenance of the City's electric system, had net assets of \$18,854,942 at June 30, 2011 compared to net assets of \$18,453,901 at June 30, 2010.

The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, had net assets of \$7,721,980 at June 30, 2011 compared to net assets of \$7,652,082 at June 30, 2010.

The Enterprise, Sewer Fund, which accounts for the operation and maintenance of the City's sewer system, had net assets of \$16,899,608 at June 30, 2011 compared to net assets of \$17,416,071 at June 30, 2010.

The Enterprise, Community Center Fund, which accounts for the operation of the City's Community Center, had net assets of \$883,906 at June 30, 2011 compared to net assets of \$910,904 at June 30, 2010.

The Enterprise, Fitness Center fund, which accounts for the operation of the City's Fitness Center, had net assets of \$683,185 at June 30, 2011 compared to net assets of \$695,141 at June 30, 2010.

**BUDGETARY HIGHLIGHTS**

On May 16, 2011, the City amended its budget to include additional receipts from charges for services and to cover unplanned disbursements in public safety, public works, culture & recreation, general government, capital projects, operating transfers out, and in business type expenditures. The City's receipts were \$110,197 greater than amended budgeted receipts, a favorable variance of 1.02%. The most significant variance resulted from receiving \$292,189 more in charges for services than anticipated. The budget included investment income, miscellaneous income, and charges for services for the proprietary funds also.

The City's disbursements were \$697,930 less than amended budgeted disbursements, a favorable variance of 5.86 %. The largest variance was in culture & recreation and general government expenditures of \$257,551 and \$233,067, respectively.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The city's capital assets include land, infrastructure, buildings, equipment and vehicles as well as construction in progress. Capital assets and construction in progress of governmental activities totaled \$10,006,454 net of accumulated depreciation, at June 30, 2011. Capital assets of business type activities totaled \$42,748,078, net of accumulated depreciation, at June 30, 2011. See note 3 to the financial statements for more information about the City's capital assets.

**CITY OF ELDRIDGE, IOWA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

At June 30, 2010, the City had \$4,585,000 in total long-term debt outstanding for governmental activities. The City also had \$3,332,918 in total long-term debt outstanding for business type activities. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Eldridge, Iowa remains in a good position to continue operations into the next fiscal year. Taxable values have increased along with the estimated levy rates. These increases will provide sufficient property tax dollars for future operations. The projected tax levy rates per \$1,000 of taxable value for the 2011-2012 fiscal year are:

<u>Tax Levy Purpose</u>	<u>Estimated Levy Rate</u>
Regular General Levy	\$ 6.51
Tort Liability Levy	.12
Debt Service Levy	.13
Total Tax Levy	<u>\$ 6.76</u>
 Agricultural Land Levy	 <u>\$ 2.58</u>

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact either the City Clerk or the City Administrator at City Hall, 305 N. Third Street, Eldridge, Iowa, 52748 or by telephone at 563-285-4841.

John R. Dowd  
City Administrator

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 2,375,996	\$ 4,118,862	\$ 6,494,858
Receivables:			
Property tax			
Current year	14,138	-	14,138
Succeeding year	1,768,362	-	1,768,362
Other tax	52,527	-	52,527
Customer accounts and unbilled usage	-	483,723	483,723
Other	28,590	-	28,590
Inventories	32,598	488,016	520,614
Prepaid insurance	36,542	45,529	82,071
Restricted cash and investments	-	797,206	797,206
Construction in progress	90,152	-	90,152
Capital assets, net of accumulated depreciation	9,916,302	42,748,078	52,664,380
Total assets	<u>14,315,207</u>	<u>48,681,414</u>	<u>62,996,621</u>
<b>LIABILITIES</b>			
Accounts payable	78,027	47,453	125,480
Accrued interest payable	15,593	11,289	26,882
Salaries and benefits payable	19,954	15,957	35,911
Accrued expenses	1,326	59,750	61,076
Deferred revenue:			
Succeeding year property tax	1,768,362	-	1,768,362
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	55,342	55,342
General obligation bonds and notes	235,000	-	235,000
Revenue bonds	-	310,000	310,000
Note payable	-	3,053	3,053
Compensated absences	51,676	54,770	106,446
Portion due or payable after one year:			
General obligation bonds and notes	4,350,000	-	4,350,000
Revenue bonds	-	3,015,000	3,015,000
Note payable	-	4,865	4,865
Compensated absences	65,313	60,314	125,627
Total liabilities	<u>6,585,251</u>	<u>3,637,793</u>	<u>10,223,044</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,421,454	39,415,160	44,836,614
Restricted for:			
Capital projects	796,855	-	796,855
Community programs and services	8,431	-	8,431
Debt service	34,499	-	34,499
Revenue bonds retirement	-	420,575	420,575
Urban renewal	341,113	-	341,113
Unrestricted	1,127,604	5,207,886	6,335,490
Total net assets	<u>\$ 7,729,956</u>	<u>\$ 45,043,621</u>	<u>\$ 52,773,577</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

FUNCTIONS/PROGRAMS	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
Public safety	\$ 838,048	\$ 126,813	\$ 225
Public works	3,715,560	246,771	107,891
Culture and recreation	205,858	40,903	-
Community and economic development	248,406	1,104	-
General government	447,182	134,592	47,132
Interest on long-term debt	199,917	-	-
Total governmental activities	5,654,971	550,183	155,248
Business type activities:			
Electric	4,111,364	4,554,888	-
Water	650,391	787,516	-
Sewer	1,203,170	716,289	-
Community center	281,647	247,462	-
Fitness center	258,778	231,910	-
Interest on long-term debt	153,743	-	-
Total business type activities	6,659,093	6,538,065	-
<b>TOTAL</b>	<b>\$ 12,314,064</b>	<b>\$ 7,088,248</b>	<b>\$ 155,248</b>

General revenues:  
Property tax levied for:  
General purpose  
Debt service  
Tax increment financing  
Franchise tax  
Road use tax  
Local option sales tax  
Assessments  
Interest on investments  
Transfers  
Miscellaneous  
Gain on disposition of assets  
Total general revenues

**CHANGES IN NET ASSETS**

**NET ASSETS, BEGINNING OF YEAR**

**NET ASSETS, END OF YEAR**



**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (711,010)	-	\$ (711,010)
(3,360,898)	-	(3,360,898)
(164,955)	-	(164,955)
(247,302)	-	(247,302)
(265,458)	-	(265,458)
(199,917)	-	(199,917)
<u>(4,949,540)</u>	<u>-</u>	<u>(4,949,540)</u>
-	443,524	443,524
-	137,125	137,125
-	(486,881)	(486,881)
-	(34,185)	(34,185)
-	(26,868)	(26,868)
-	(153,743)	(153,743)
-	<u>(121,028)</u>	<u>(121,028)</u>
<u>\$ (4,949,540)</u>	<u>\$ (121,028)</u>	<u>\$ (5,070,568)</u>
1,682,853	-	1,682,853
37,740	-	37,740
544,048	-	544,048
47,450	-	47,450
485,472	-	485,472
677,416	-	677,416
4,891	-	4,891
3,383	11,190	14,573
11,800	(11,800)	-
50,122	34,760	84,882
8,050	2,400	10,450
<u>3,553,225</u>	<u>36,550</u>	<u>3,589,775</u>
(1,396,315)	(84,478)	(1,480,793)
<u>9,126,271</u>	<u>45,128,099</u>	<u>54,254,370</u>
<u>\$ 7,729,956</u>	<u>\$ 45,043,621</u>	<u>\$ 52,773,577</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2011

	Special Revenue			Other	
	General	Road Use Tax	Sales Tax	Nonmajor	Total All
	Fund	Fund	Projects	Governmental	Funds
			Fund	Funds	
<b>ASSETS</b>					
Cash and investments	\$ 1,245,248	\$ (161,774)	\$ 772,592	\$ 519,930	\$ 2,375,996
Receivables:					
Property tax				-	
Current year	11,782	-	-	2,356	14,138
Succeeding year	1,730,753	-	-	37,609	1,768,362
Other tax	-	-	52,527	-	52,527
Other	28,590	-	-	-	28,590
Inventories	32,598	-	-	-	32,598
Prepaid insurance	36,542	-	-	-	36,542
Due from other funds	-	-	-	29,038	29,038
<b>TOTAL ASSETS</b>	<u>\$ 3,085,513</u>	<u>\$ (161,774)</u>	<u>\$ 825,119</u>	<u>\$ 588,933</u>	<u>\$ 4,337,791</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 332	\$ 54,016	\$ 23,679	\$ -	\$ 78,027
Accrued interest payable	-	-	-	15,593	15,593
Salaries and benefits payable	19,954	-	-	-	19,954
Accrued expenses	1,326	-	-	-	1,326
Due to other funds	5,436	-	4,585	19,017	29,038
Deferred revenue:					
Succeeding year property tax	1,730,753	-	-	37,609	1,768,362
Compensated absences	51,676	-	-	-	51,676
Total liabilities	<u>1,809,477</u>	<u>54,016</u>	<u>28,264</u>	<u>72,219</u>	<u>1,963,976</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories and prepaid insurance	69,140	-	-	-	69,140
Restricted for:					
Capital projects	-	-	796,855	-	796,855
Community programs and services	-	-	-	8,431	8,431
Debt service	-	-	-	34,499	34,499
Urban renewal	-	-	-	341,113	341,113
Committed for:					
Capital projects	-	-	-	132,671	132,671
General equipment replacement	227,743	-	-	-	227,743
Unassigned	979,153	(215,790)	-	-	763,363
Total fund balances	<u>1,276,036</u>	<u>(215,790)</u>	<u>796,855</u>	<u>516,714</u>	<u>2,373,815</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 3,085,513</u>	<u>\$ (161,774)</u>	<u>\$ 825,119</u>	<u>\$ 588,933</u>	<u>\$ 4,337,791</u>
<b>AND FUND BALANCES</b>					

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

Total governmental fund balance (page 15) \$ 2,373,815

*Amounts reported for governmental activities in the statement of net assets  
are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$28,202,568 and the accumulated depreciation is \$18,286,266. The cost of assets under construction is \$90,152. 10,006,454

Long-term liabilities, including bonds payable, capital leases, and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (4,650,313)

**Net assets of governmental activities (page 12)** \$ 7,729,956

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	Special Revenue			Other	
	General	Road Use Tax	Sales Tax	Nonmajor	Total All
	Fund	Fund	Projects	Governmental	Funds
			Fund	Funds	
<b>REVENUES</b>					
Property tax	\$ 1,682,853	\$ -	\$ -	\$ 37,740	\$ 1,720,593
Tax increment financing	-	-	-	544,048	544,048
Other taxes	47,450	-	655,807	26,500	729,757
Licenses and permits	114,398	-	-	-	114,398
Rent	44,116	-	-	-	44,116
Intergovernmental	225	593,363	30,179	-	623,767
Charges for services	435,785	-	-	-	435,785
Interest on investments	3,383	-	-	-	3,383
Miscellaneous	15,750	352	-	14,907	31,009
Total revenues	<u>2,343,960</u>	<u>593,715</u>	<u>685,986</u>	<u>623,195</u>	<u>4,246,856</u>
<b>EXPENDITURES</b>					
Operating:					
Public safety	807,089	-	-	15,000	822,089
Public works	740,020	41,724	-	-	781,744
Culture and recreation	304,703	-	-	3,000	307,703
Community and economic development	50,378	-	-	198,028	248,406
General government	305,005	-	45,132	-	350,137
Debt service	-	-	-	549,917	549,917
Capital projects	84,437	917,220	313,843	52,681	1,368,181
Total expenditures	<u>2,291,632</u>	<u>958,944</u>	<u>358,975</u>	<u>818,626</u>	<u>4,428,177</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER (UNDER) EXPENDITURES</b>	<u>52,328</u>	<u>(365,229)</u>	<u>327,011</u>	<u>(195,431)</u>	<u>(181,321)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	38,800	-	-	448,500	487,300
Operating transfers out	(32,000)	-	(253,500)	(190,000)	(475,500)
Total other financing sources (uses)	<u>6,800</u>	<u>-</u>	<u>(253,500)</u>	<u>258,500</u>	<u>11,800</u>
<b>NET CHANGE IN FUND BALANCE</b>	59,128	(365,229)	73,511	63,069	(169,521)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,216,908</u>	<u>149,439</u>	<u>723,344</u>	<u>453,645</u>	<u>2,543,336</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,276,036</u>	<u>\$ (215,790)</u>	<u>\$ 796,855</u>	<u>\$ 516,714</u>	<u>\$ 2,373,815</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

Net change in fund balances - total governmental funds (page 17)	\$ (169,521)
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*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Depreciation expense	(2,097,123)
Expenditures for capital assets	523,145
	(1,573,978)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Current year repayments, as follows:

Bond principal	350,000
Compensated absences	(2,816)
	347,184

Changes in net assets of governmental activities (page 14)	\$ (1,396,315)
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENTS OF NET ASSETS - PROPRIETY FUND**  
**June 30, 2011**

	<u>Electric Fund</u>	<u>Water Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 3,381,556	\$ 93,583
Receivables:		
Customer accounts and unbilled usage	328,508	84,870
Inventories	341,131	14,716
Prepaid insurance	18,738	6,246
Restricted assets:		
Cash and investments	613,552	183,654
Capital assets, net of accumulated depreciation	<u>17,156,915</u>	<u>7,973,180</u>
Total assets	<u>21,840,400</u>	<u>8,356,249</u>
<b>LIABILITIES</b>		
Accounts payable	43,072	3,807
Salaries and benefits payable	4,075	2,308
Accrued expenses	59,750	-
Payable from restricted assets:		
Customer deposits	38,510	16,832
Revenue bonds	215,000	95,000
Accrued interest payable	9,967	1,322
Capital leases	-	-
Compensated absences	54,770	-
Long-term liabilities:		
Revenue bonds	2,500,000	515,000
Capital leases	-	-
Compensated absences	<u>60,314</u>	<u>-</u>
Total liabilities	<u>2,985,458</u>	<u>634,269</u>
<b>NETS ASSETS</b>		
Invested in capital assets, net of related debt	14,441,915	7,363,180
Restricted for:		
Revenue bonds retirement	350,075	70,500
Unrestricted:		
Designated for:		
Equipment replacement	377,974	136,810
Undesignated	<u>3,684,978</u>	<u>151,490</u>
Total net assets	<u>\$ 18,854,942</u>	<u>\$ 7,721,980</u>

<b>Sewer Fund</b>	<b>Community Center Fund</b>	<b>Fitness Center Fund</b>	<b>Total All Funds</b>
\$ 553,082	\$ 43,714	\$ 46,927	\$ 4,118,862
70,345	-	-	483,723
123,240	5,695	3,234	488,016
11,934	4,924	3,687	45,529
-	-	-	797,206
16,144,845	831,197	641,941	42,748,078
16,903,446	885,530	695,789	48,681,414
574	-	-	47,453
3,264	1,624	4,686	15,957
-	-	-	59,750
-	-	-	55,342
-	-	-	310,000
-	-	-	11,289
-	-	3,053	3,053
-	-	-	54,770
-	-	-	3,015,000
-	-	4,865	4,865
-	-	-	60,314
3,838	1,624	12,604	3,637,793
16,144,845	831,197	634,023	39,415,160
-	-	-	420,575
65,297	-	-	580,081
689,466	52,709	49,162	4,627,805
<u>\$ 16,899,608</u>	<u>\$ 883,906</u>	<u>\$ 683,185</u>	<u>\$ 45,043,621</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS - PROPRIETARY FUNDS**  
**Year Ended June 30, 2011**

	<b>Electric Fund</b>	<b>Water Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 4,554,888	\$ 787,516
Miscellaneous	3,110	24,970
Total operating revenues	<u>4,557,998</u>	<u>812,486</u>
<b>OPERATING EXPENSES</b>		
Business type activities:		
Cost of sales and services	3,613,507	391,167
Depreciation	497,857	259,224
Total operating expenses	<u>4,111,364</u>	<u>650,391</u>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<u>446,634</u>	<u>162,095</u>
<b>OTHER INCOME (EXPENSE)</b>		
Gain on disposition of assets	1,500	-
Interest on investments	7,488	318
Interest expense	(127,823)	(19,273)
Total other revenues (expenses)	<u>(118,835)</u>	<u>(18,955)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfer in	73,242	-
Operating transfer out	-	(73,242)
Total other financing sources (uses)	<u>73,242</u>	<u>(73,242)</u>
<b>NET INCOME (LOSS)</b>	401,041	69,898
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>18,453,901</u>	<u>7,652,082</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 18,854,942</u></u>	<u><u>\$ 7,721,980</u></u>



<b>Sewer Fund</b>	<b>Community Center Fund</b>	<b>Fitness Center Fund</b>	<b>Total All Funds</b>
\$ 716,289	\$ 247,462	\$ 231,910	\$ 6,538,065
-	6,510	170	34,760
716,289	253,972	232,080	6,572,825
489,791	251,712	238,735	4,984,912
713,379	29,935	20,043	1,520,438
1,203,170	281,647	258,778	6,505,350
(486,881)	(27,675)	(26,698)	67,475
900	-	-	2,400
2,707	677	-	11,190
(6,389)	-	(258)	(153,743)
(2,782)	677	(258)	(140,153)
-	-	15,000	88,242
(26,800)	-	-	(100,042)
(26,800)	-	15,000	(11,800)
(516,463)	(26,998)	(11,956)	(84,478)
17,416,071	910,904	695,141	45,128,099
<u>\$ 16,899,608</u>	<u>\$ 883,906</u>	<u>\$ 683,185</u>	<u>\$ 45,043,621</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Year Ended June 30, 2011**

	<u>Electric Fund</u>	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 4,557,702	\$ 779,382
Cash received from other revenues	3,110	24,970
Cash paid for personal services	(299,682)	(160,485)
Cash paid to suppliers	(3,147,327)	(290,094)
Net cash provided (used) by operating activities	<u>1,113,803</u>	<u>353,773</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advances from other funds, net of advance repayments	<u>73,242</u>	<u>(73,242)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>		
Acquisition of capital assets	(55,829)	-
Principal paid on revenue bonds and capital leases	(205,000)	(95,000)
Interest paid on revenue bonds and capital leases	(128,570)	(20,178)
Net cash provided (used) by capital and related financing activities	<u>(389,399)</u>	<u>(115,178)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>7,488</u>	<u>318</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	805,134	165,671
<b>CASH AND INVESTMENTS, BEGINNING OF YEAR</b>	<u>3,189,974</u>	<u>111,566</u>
<b>CASH AND INVESTMENTS, END OF YEAR</b>	<u>\$ 3,995,108</u>	<u>\$ 277,237</u>

<b>Sewer Fund</b>	<b>Community Center Fund</b>	<b>Fitness Center Fund</b>	<b>Total All Funds</b>
\$ 712,637	\$ 247,462	\$ 231,910	\$ 6,529,093
-	6,510	170	34,760
(285,090)	(133,505)	(143,130)	(1,021,892)
(318,627)	(116,620)	(96,301)	(3,968,969)
<u>108,920</u>	<u>3,847</u>	<u>(7,351)</u>	<u>1,572,992</u>
 (26,800)	 -	 15,000	 (11,800)
 (39,900)	 -	 -	 (95,729)
(280,000)	-	(4,059)	(584,059)
<u>(7,293)</u>	<u>-</u>	<u>(258)</u>	<u>(156,299)</u>
 (327,193)	 -	 (4,317)	 (836,087)
 2,707	 677	 -	 11,190
(242,366)	4,524	3,332	736,295
<u>795,448</u>	<u>39,190</u>	<u>43,595</u>	<u>4,179,773</u>
<u>\$ 553,082</u>	<u>\$ 43,714</u>	<u>\$ 46,927</u>	<u>\$ 4,916,068</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)**  
**Year Ended June 30, 2011**

	<u>Electric Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 446,634	\$ 162,095
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	497,857	259,224
(Increase) decrease in customer accounts and unbilled usage receivable	2,814	(8,134)
(Increase) decrease in inventories	75,042	9,790
(Increase) decrease in prepaid insurance	(4,266)	882
(Increase) decrease in other assets	67,446	(67,446)
Increase (decrease) in accounts payable	19,533	(4,199)
Increase (decrease) in accrued wages	1,355	834
Increase (decrease) in accrued expenses	4,506	-
Increase (decrease) in customer deposits	2,085	727
Increase (decrease) in compensated absences	797	-
Net cash provided (used) by operating activities	<u>\$ 1,113,803</u>	<u>\$ 353,773</u>
Reconciliation of cash and investments at year end to specific assets included in the statement of net assets:		
Current assets:		
Cash and investments	3,381,556	93,583
Restricted assets:		
Cash and investments:		
Revenue bonds retirement	575,042	166,822
Customer deposits	38,510	16,832
Cash and investments, end of year	<u>\$ 3,995,108</u>	<u>\$ 277,237</u>

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ (486,881)	\$ (27,675)	\$ (26,698)	\$ 67,475
713,379	29,935	20,043	1,520,438
(3,652)	-	-	(8,972)
(113,443)	1,835	(760)	(27,536)
77	(593)	296	(3,604)
-	-	-	-
(1,339)	(33)	-	13,962
779	378	(232)	3,114
-	-	-	4,506
-	-	-	2,812
-	-	-	797
<u>\$ 108,920</u>	<u>\$ 3,847</u>	<u>\$ (7,351)</u>	<u>\$ 1,572,992</u>
553,082	43,714	46,927	4,118,862
-	-	-	741,864
-	-	-	55,342
<u>\$ 553,082</u>	<u>\$ 43,714</u>	<u>\$ 46,927</u>	<u>\$ 4,916,068</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

The City of Eldridge, Iowa (the City) is a political subdivision of the State of Iowa located in Scott County and operates under the Home rule provisions of the constitution of Iowa. The City also operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, recreation, community and economic development, and general governmental services. The City also provides electric, water, sewer and sanitation utilities.

Reporting Entity

For financial reporting purposes, the City of Eldridge, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

Basis of Presentation

**Government-wide Financial Statements** - The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the General Fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid through other funds.

Special Revenue Funds - The Road Use Tax Fund is used to account for road construction and maintenance. The Sales Tax Projects Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The City reports the following major proprietary funds:

Electric Fund - The Electric fund is used to account for the operation and maintenance of the City's electric system.

Water Fund - The Water Fund is used to account for the operation and maintenance of the City's water system.

Sewer Fund - The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

Community Center Fund - The Community Center Fund is used to account for the operation of the City's community center.

Fitness Center Fund - The Fitness Center Fund is used to account for the operation of the City's fitness center.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Cash and Investments

For purposes of financial reporting and the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments with an original maturity of greater than three months that can be redeemed anytime before maturity are also considered to be cash equivalents. Investments consist of certificates of deposit and are carried at cost, which approximates market.

Property Tax Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting,

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purpose set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments, are based on January 1, 2009 assessed property valuations, are for the tax accrual period July 1, 2010 through June 30, 2011 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2010.

Customer Accounts and Unbilled Usage

Customer accounts receivable are recorded in proprietary funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due To Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories in the proprietary funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets of cash and investments set aside in proprietary funds for payment of revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets in proprietary funds include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs not adding to the value of the asset or materially extending assets lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, building and improvements	\$ 25,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-50 years
Improvements other than buildings	10-25 years
Vehicles	6-10 years
Equipment	4-15 years
Infrastructure	12-50 years

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave, personal leave and compensatory time benefits. Vacation benefits must be used during employment. Sick leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon retirement or disability. Personal leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon leaving the City's employment unless terminated for cause. Compensatory time benefits may be used during employment or accumulated up to the maximum hour limit established by the City for payment upon leaving the City's employment.

A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental funds financial statements report a liability for accrued vacation, accrued personal leave and accrued compensatory time only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the statement of net assets and the proprietary fund statement of net assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the City Administrator.

Unassigned - All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 - CASH AND INVESTMENTS**

Deposit Accounts

The City's cash and investments at June 30, 2011 consist of the following:

Petty cash fund on hand	\$ 830
Checking accounts	1,793,975
Money market accounts	3,241,992
Certificates of deposit	<u>2,255,267</u>
Total	<u>\$ 7,292,064</u>

At June 30, 2010, the carrying amount of the City's deposits was \$7,292,064 and the related bank balance was \$7,409,913.

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Investments

The City is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<b>Governmental activities</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 72,122	\$ 18,030	\$ -	\$ 90,152
Land	<u>1,255,500</u>	<u>-</u>	<u>-</u>	<u>1,255,500</u>
Total	<u>1,327,622</u>	<u>18,030</u>	<u>-</u>	<u>1,345,652</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,542,304	-	-	1,542,304
Equipment and vehicles	1,044,040	127,149	-	1,171,189
Infrastructure, road network	<u>23,855,609</u>	<u>377,966</u>	<u>-</u>	<u>24,233,575</u>
Total	<u>26,441,953</u>	<u>505,115</u>	<u>-</u>	<u>26,947,068</u>
Less accumulated depreciation	<u>16,189,143</u>	<u>2,097,123</u>	<u>-</u>	<u>18,286,266</u>
Net	<u>10,252,810</u>	<u>(1,592,008)</u>	<u>-</u>	<u>8,660,802</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$11,580,432</b></u>	<u><b>\$ (1,573,978)</b></u>	<u><b>\$ -</b></u>	<u><b>\$10,006,454</b></u>
<b>Business type activities</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 584,757	\$ 20,552	\$ (605,309)	\$ -
Land	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
Total	<u>704,757</u>	<u>20,552</u>	<u>(605,309)</u>	<u>120,000</u>
<i>Capital assets being depreciated:</i>				
Buildings	34,939,565	605,309	-	35,544,874
Equipment and vehicles	1,183,073	80,177	-	1,263,250
Infrastructure	<u>17,493,305</u>	<u>-</u>	<u>-</u>	<u>17,493,305</u>
Total	<u>53,615,943</u>	<u>685,486</u>	<u>-</u>	<u>54,301,429</u>
Less accumulated depreciation	<u>10,152,913</u>	<u>1,520,438</u>	<u>-</u>	<u>11,673,351</u>
Net	<u>43,463,030</u>	<u>(834,952)</u>	<u>-</u>	<u>42,628,078</u>
<b>Business type activities capital assets, net</b>	<u><b>\$ 44,167,787</b></u>	<u><b>\$ (814,400)</b></u>	<u><b>\$ (605,309)</b></u>	<u><b>\$42,748,078</b></u>

**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 3 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the year ended June 30, 2011 was charged to functions of the City as follows:

Governmental activities:	
Public safety	\$ 15,959
Public works	2,022,323
General government	9,792
Culture and recreation	49,049
Total governmental activities	<u>\$ 2,097,123</u>
Business type activities:	
Electric	\$ 497,857
Water	259,224
Sewer	713,379
Community center	29,935
Fitness center	20,043
Total business type activities	<u>\$ 1,520,438</u>

**NOTE 4 - LONG-TERM LIABILITIES**

A summary of transactions that occurred regarding bond and note obligations for the year ended June 30, 2011 as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds/notes	<u>\$4,935,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$4,585,000</u>	<u>\$ 235,000</u>
<b>Business type activities:</b>					
Revenue bonds	<u>\$3,905,000</u>	<u>\$ -</u>	<u>\$ 580,000</u>	<u>\$3,325,000</u>	<u>\$ 310,000</u>
Term note	<u>-</u>	<u>9,391</u>	<u>1,473</u>	<u>7,918</u>	<u>3,053</u>
	<u>\$3,905,000</u>	<u>\$ 9,391</u>	<u>\$ 581,473</u>	<u>\$3,332,918</u>	<u>\$ 313,053</u>

**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)**

General Obligation Bonds

Two issues of unmatured general obligation bonds, totaling \$4,585,000 were outstanding at June 30, 2011. These bonds bear interest at rates ranging from 4.00% to 4.40% and mature in varying annual amounts from \$95,000 to \$520,000 with the final maturities due in the year ending June 30, 2027.

Details of the general obligation bonds payable at June 30, 2010 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2011</u>
GO Refunding Bonds, Series 2001	Nov. 15, 2001	4.00- 4.40%	June 1, 2013	\$ 95,000- 100,000	\$1,010,000	\$ 190,000
GP Bonds, Series 2007	Nov. 15, 2007	4.00- 4.25%	June 1, 2027	105,000- 520,000	4,685,000	<u>4,395,000</u>
Total						<u>\$4,585,000</u>

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 235,000	\$ 187,121	\$ 422,121
2013	335,000	177,436	512,436
2014	380,000	163,656	543,656
2015	495,000	148,456	643,456
2016	520,000	128,656	648,656
2017-2021	1,020,000	463,480	1,483,480
2022-2026	1,320,000	231,194	1,551,194
2027	<u>280,000</u>	<u>11,903</u>	<u>291,903</u>
Totals	<u>\$4,585,000</u>	<u>\$1,511,902</u>	<u>\$6,096,902</u>



**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)**

Revenue Bonds

Two issues of unmatured revenue bonds, totaling \$3,325,000 were outstanding at June 30, 2011. These bonds bear interest at rates ranging from 1.50% to 4.50% and mature in varying annual amounts from \$95,000 to \$335,000, with the final maturities due in the year ending June 30, 2021.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the water, sewer, and electric enterprise activity and the bond holders have a lien on the future earnings of the funds.
- b) Sufficient water, sewer, and electric rates will be imposed to maintain a net revenue balance equal to at least 125% of the annual payments of principal and interest coming due in the same year.
- c) Monthly transfers shall be made to water, sewer, and electric improvement funds until specific minimum balances have been accumulated. These balances are restricted solely for the purpose of paying principal and interest on the bonds.
- d) An electric debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, 10% of the original principal amount of the bonds or 125% of the average annual principal and interest coming due on the bonds.
- e) A water debt reserve fund will be maintained in an amount equal to the lesser of 10% of the stated principal amount of the bonds, the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, or 125% of the average annual principal and interest coming due on the bonds.

During the year ended June 30, 2011, the City was in compliance with the revenue bond provisions.

**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)**

Revenue Bonds (Continued)

Details of the revenue bonds payable at June 30, 2011 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2011</u>
Water Revenue Bonds, Series 2010	May 27, 2010	1.50- 3.40%	June 1, 2017	\$ 95,000- 115,000	\$ 705,000	\$ 610,000
Electric Revenue Bonds, Series 2006	Aug. 29, 2006	4.375- 4.50%	June 1, 2021	\$ 205,000- 335,000	\$3,665,000	<u>\$2,715,000</u>
Total						<u>\$3,325,000</u>

A summary of the annual obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 310,000	\$ 135,465	\$ 445,465
2013	320,000	124,349	444,349
2014	340,000	112,510	452,510
2015	350,000	99,610	449,610
2016	365,000	85,973	450,973
2017-2021	<u>1,640,000</u>	<u>214,323</u>	<u>1,854,323</u>
Totals	<u>\$3,325,000</u>	<u>\$ 772,230</u>	<u>\$4,097,230</u>

**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)**

Term Note

A summary of the term note agreement at June 30, 2011 is as follows:

US Bank, single advance term loan dated December 3, 2010, payable in monthly installments of \$281 each, including interest at 4.75% through December 3, 2013, secured by fitness center equipment.	\$ 7,918
Less current portion	<u>3,053</u>
Note payable, net of current portion	<u>\$ 4,865</u>

Annual maturities of note payable obligations for each of the years subsequent to June 30, 2011 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 3,053	\$ 315	\$ 3,368
2013	3,204	164	3,368
2014	<u>1,661</u>	<u>23</u>	<u>1,684</u>
Totals	<u>\$ 7,918</u>	<u>\$ 502</u>	<u>\$ 8,420</u>

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 5 - INTERFUND LOANS/ADVANCES/TRANSFERS**

The city's cash management procedures occasionally result in short-term advances between funds that are repaid upon City Board approval from future revenues.

At June 30, 2011, interfund advances were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Blackhawk Trail TIF Area Fund	LeClaire Road TIF Fund	\$ 19,017
General Fund	Blackhawk Trail TIF Area Fund	5,436
Sales Tax Project	Hotel Tax	4,585
Electric Projects Fund	Electric Fund	240,516
		<u>\$ 269,554</u>

Such interfund advances are not reported as operating transfers.

Interfund transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

A summary of interfund transfers that occurred during the year ended June 30, 2011 is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	General Equipment Replacement Fund	\$ 90,000
General Fund	Park Board Fund	75,000
General Fund	Insurance Self Funding Fund	32,000
Sales Tax Projects Fund	Park Board Fund	60,000
Sales Tax Projects Fund	Fitness Center Fund	15,000
Sales Tax Projects Fund	Debt Service Fund	153,500
Sales Tax Projects Fund	Street Projects Fund	25,000
Blackhawk Trail TIF Area Fund	Debt Service Fund	190,000
Electric Fund	Electric Depreciation Fund	60,000
Electric Fund	Utility Insurance Self Funding Fund	6,630
Water Fund	Water Depreciation Fund	50,000
Water Fund	Electric Fund	70,142
Water Fund	Utility Insurance Self Funding Fund	3,100
Sewer Fund	Debt Service Fund	20,000
Sewer Fund	Sewer Depreciation Fund	30,000
Sewer Fund	Sewer Sinking Fund	58,590
Sewer Fund	Debit Service Fund	142,640
Sewer Fund	Capital Improvement Fund	50,000
Sewer Fund	Insurance Self Funding Fund	6,800
Total		<u>\$1,138,402</u>

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 6 - PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.5% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll except for police employees, in which case the percentages are 6.65% and 9.97%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$116,852, \$105,751, and \$97,329, respectively, equal to the required contribution for each year.

The City has no other postemployment benefits available to employees besides retirement benefits paid under the IPERS plan described above.

**NOTE 7 - COMPENSATED ABSENCES**

The City's liability for compensated absences at June 30, 2011 is as follows:

<u>Type of Benefit</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Personal	\$ 12,880	\$ 16,151	\$ 29,031
Vacation	33,134	34,227	67,361
Compensatory Time	5,662	4,392	10,054
Sick Leave	65,313	60,314	125,627
Totals	<u>\$ 116,989</u>	<u>\$ 115,084</u>	<u>\$ 232,073</u>

The City maintains accrued leave reserves to offset the approximate liability for compensated absences. Employees may earn up to 160 hours per year of vacation, depending on years of service. Employees may carry a maximum of 80 hours to the subsequent anniversary year. Any unused vacation accumulated above these limits is forfeited. The City's sick leave policy allows its employees to accumulate up to 720 hours of sick leave which is payable when used or a maximum of 280 hours which is payable upon retirement or disability. No leave is paid when employment is terminated for any other reason. Employees earn 40 hours of personal leave per year and may accumulate up to 80 hours of personal leave. Employees may enter into an agreement with the City to earn compensatory time rather than being paid overtime for additional hours over 40 per week worked. Employees can accumulate up to 40 hours of compensatory time.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 8 - DEFICIT FUND BALANCE**

At June 30, 2011, the Special Revenue, Road Use Tax Fund, had a deficit fund balance of \$215,790. This deficit balance is the result of capital project costs in excess of available funds. This deficit will be eliminated upon future collection of road use tax revenues.

**NOTE 9 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. This hierarchy is further explained in Note 1 of the financial statements.

**NOTE 11 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 19, 2011, the date the financial statements were available for issuance.

This information is an integral part of the accompanying financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ELDRIDGE, IOWA**  
**BUDGET COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**  
**GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**Year Ended June 30, 2011**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Total Actual</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget to Actual Variance</b>
<b>RECEIPTS</b>						
Property tax	\$ 1,719,865	\$ -	\$ 1,719,865	\$ 1,713,131	\$ 1,713,131	\$ 6,734
Tax increment financing	543,322	-	543,322	525,000	525,000	18,322
Other taxes	728,235	-	728,235	713,820	713,820	14,415
Licenses and permits	114,398	-	114,398	69,300	69,300	45,098
Use of money and property	75,125	11,190	86,315	44,435	44,435	41,880
Intergovernmental	623,767	-	623,767	415,805	415,805	207,962
Charges for services	434,898	6,529,093	6,963,991	5,641,802	6,671,802	292,189
Miscellaneous	84,520	34,760	119,280	635,683	635,683	(516,403)
Total receipts	<u>4,324,130</u>	<u>6,575,043</u>	<u>10,899,173</u>	<u>9,758,976</u>	<u>10,788,976</u>	<u>110,197</u>
<b>DISBURSEMENTS</b>						
Public safety	828,398	-	828,398	857,565	860,565	32,167
Public works	809,554	-	809,554	890,769	927,769	118,215
Culture and recreation	315,947	-	315,947	561,498	573,498	257,551
Community and economic development	250,232	-	250,232	250,433	250,433	201
General government	366,494	-	366,494	515,561	599,561	233,067
Debt service	549,747	-	549,747	550,938	550,938	1,191
Capital projects	1,574,675	-	1,574,675	1,532,241	1,605,241	30,566
Business type activities	-	6,505,350	6,505,350	5,089,322	6,530,322	24,972
Total disbursements	<u>4,695,047</u>	<u>6,505,350</u>	<u>11,200,397</u>	<u>10,248,327</u>	<u>11,898,327</u>	<u>697,930</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<u>(370,917)</u>	<u>69,693</u>	<u>(301,224)</u>	<u>(489,351)</u>	<u>(1,109,351)</u>	<u>808,127</u>
<b>OTHER FINANCING SOURCES (USES) NET</b>	<u>11,800</u>	<u>(11,800)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>200,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(359,117)</u>	<u>57,893</u>	<u>(301,224)</u>	<u>(489,351)</u>	<u>(1,309,351)</u>	<u>1,008,127</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>2,544,804</u>	<u>4,079,428</u>	<u>6,624,232</u>	<u>7,542,819</u>	<u>6,831,409</u>	<u>(207,177)</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 2,185,687</u>	<u>\$ 4,137,321</u>	<u>\$ 6,323,008</u>	<u>\$ 7,053,468</u>	<u>\$ 5,522,058</u>	<u>\$ 800,950</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.



**CITY OF ELDRIDGE, IOWA**  
**BUDGET TO GAAP RECONCILIATION**  
**GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**Year ended June 30, 2011**

	<u>Governmental Funds</u>			<u>Proprietary Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Receipts/revenues	\$ 4,324,130	\$ (77,274)	\$ 4,246,856	\$ 6,575,043	\$ 11,372	\$ 6,586,415
Expenditures/expenses	<u>4,695,047</u>	<u>(266,870)</u>	<u>4,428,177</u>	<u>6,505,350</u>	<u>153,743</u>	<u>6,659,093</u>
Net	(370,917)	189,596	(181,321)	69,693	(142,371)	(72,678)
Other financing sources and transfer, net	11,800	-	11,800	(11,800)	-	(11,800)
Beginning fund balances/net assets	<u>2,544,804</u>	<u>(1,468)</u>	<u>2,543,336</u>	<u>4,079,428</u>	<u>41,048,671</u>	<u>45,128,099</u>
Ending fund balances/net assets	<u>\$ 2,185,687</u>	<u>\$ 188,128</u>	<u>\$ 2,373,815</u>	<u>\$ 4,137,321</u>	<u>\$ 40,906,300</u>	<u>\$ 45,043,621</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**BUDGETARY REPORTING**  
**Year Ending June 30, 2011**

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based on nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service funds, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund or fund type. During the year, one budget amendment increased budgeted revenues by \$1,030,000 and budgeted disbursements by \$1,850,000. This budget amendment is reflected in the final budgeted amounts.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF ELDRIDGE, IOWA**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2011**

	<u>Special Revenue</u>		
	<u>Hotel Tax Fund</u>	<u>LeClaire Road Tax Increment Financing Fund</u>	<u>Blackhawk Trail Tax Increment Financing Fund</u>
<b>ASSETS</b>			
Cash and investments	\$ 3,846	\$ 254,164	\$ 79,731
Receivables:			
Property tax			
Current year	-	1,782	-
Succeeding year	-	-	-
Due from other funds	<u>4,585</u>	<u>19,017</u>	<u>5,436</u>
Total assets	<u>\$ 8,431</u>	<u>\$ 274,963</u>	<u>\$ 85,167</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accrued interest payable	\$ -	\$ -	\$ -
Due to other funds	-	-	19,017
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>19,017</u>
<b>FUND BALANCES</b>			
Restricted for:			
Community programs and services	8,431	-	-
Debt service	-	-	-
Urban renewal	-	274,963	66,150
Committed for:			
Capital improvements	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,431</u>	<u>274,963</u>	<u>66,150</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 8,431</u></u>	<u><u>\$ 274,963</u></u>	<u><u>\$ 85,167</u></u>

## Schedule 1

<u>Capital Projects</u>			
<u>Capital Improvement Fund</u>	<u>Street Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ 106,085	\$ 26,268	\$ 49,836	\$ 519,930
-	318	256	2,356
-	-	37,609	37,609
-	-	-	29,038
<u>\$ 106,085</u>	<u>\$ 26,586</u>	<u>\$ 87,701</u>	<u>\$ 588,933</u>
\$ -	\$ -	\$ 15,593	\$ 15,593
-	-	-	19,017
-	-	37,609	37,609
-	-	53,202	72,219
-	-	-	8,431
-	-	34,499	34,499
-	-	-	341,113
106,085	26,586	-	132,671
<u>106,085</u>	<u>26,586</u>	<u>34,499</u>	<u>516,714</u>
<u>\$ 106,085</u>	<u>\$ 26,586</u>	<u>\$ 87,701</u>	<u>\$ 588,933</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	<u>Special Revenue</u>		
	<u>Hotel Tax Fund</u>	<u>LeClaire Road Tax Increment Financing Fund</u>	<u>Blackhawk Trail Tax Increment Financing Fund</u>
<b>REVENUES</b>			
Property tax	\$ -	\$ -	\$ -
Tax increment financing	-	345,566	198,482
Other taxes	21,609	-	-
Miscellaneous	-	-	-
Total revenues	<u>21,609</u>	<u>345,566</u>	<u>198,482</u>
<b>EXPENDITURES</b>			
Operating:			
Public safety	15,000	-	-
Culture and recreation	3,000	-	-
Community and economic development	-	198,028	-
Debt service	-	149,196	-
Capital projects	-	-	-
Total expenditures	<u>18,000</u>	<u>347,224</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,609</u>	<u>(1,658)</u>	<u>198,482</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	(190,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(190,000)</u>
<b>NET CHANGES IN FUND BALANCES</b>	3,609	(1,658)	8,482
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>4,822</u>	<u>276,621</u>	<u>57,668</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 8,431</u>	<u>\$ 274,963</u>	<u>\$ 66,150</u>

## Schedule 2

<u>Capital Projects</u>			
<u>Capital Improvement Fund</u>	<u>Street Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 37,740	\$ 37,740
-	-	-	544,048
-	4,891	-	26,500
14,907	-	-	14,907
<u>14,907</u>	<u>4,891</u>	<u>37,740</u>	<u>623,195</u>
-	-	-	15,000
-	-	-	3,000
-	-	-	198,028
-	-	400,721	549,917
52,681	-	-	52,681
<u>52,681</u>	<u>-</u>	<u>400,721</u>	<u>818,626</u>
<u>(37,774)</u>	<u>4,891</u>	<u>(362,981)</u>	<u>(195,431)</u>
60,000	25,000	363,500	448,500
-	-	-	(190,000)
<u>60,000</u>	<u>25,000</u>	<u>363,500</u>	<u>258,500</u>
22,226	29,891	519	63,069
83,859	(3,305)	33,980	453,645
<u>\$ 106,085</u>	<u>\$ 26,586</u>	<u>\$ 34,499</u>	<u>\$ 516,714</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**SCHEDULE OF REVENUES BY SOURCES AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS FOR THE LAST EIGHT YEARS**

	<u>Modified Accrual Basis</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>			
Property tax	\$ 1,720,593	\$ 1,616,973	\$ 1,518,513
Tax increment financing	544,048	456,173	504,799
Other taxes	729,757	699,409	723,006
Licenses and permits	114,398	106,688	114,074
Use of money and property	47,499	49,529	75,566
Intergovernmental	623,767	446,256	403,566
Charges for services	435,785	417,246	383,686
Miscellaneous	31,009	95,473	151,690
Total	<u>\$ 4,246,856</u>	<u>\$ 3,887,747</u>	<u>\$ 3,874,900</u>
<b>EXPENDITURES</b>			
Operating:			
Public safety	\$ 822,089	\$ 703,596	\$ 778,645
Public works	781,744	784,182	849,129
Culture and recreation	307,703	283,197	328,886
Community and economic development	248,406	200,039	140,135
General government	350,137	274,182	279,087
Debt service	549,917	665,977	662,043
Capital projects	1,368,181	1,541,288	1,206,862
Total	<u>\$ 4,428,177</u>	<u>\$ 4,452,461</u>	<u>\$ 4,244,787</u>

Note: The City of Eldridge, Iowa implemented Governmental Accounting Standards Board (GASB) Statement No. 34 in the year ended June 30, 2003.



## Schedule 3

2008	2007	2006	2005	2004
\$ 1,424,081	\$ 1,362,577	\$ 1,268,026	\$ 1,182,351	\$ 1,014,645
256,816	333,971	491,543	561,576	653,347
756,938	729,709	716,783	643,067	593,202
107,579	160,630	144,336	127,892	127,864
148,125	167,674	134,750	77,521	56,934
415,278	407,598	409,046	388,016	468,177
379,301	334,206	208,551	184,126	154,069
287,603	183,336	332,895	84,508	68,239
<u>\$ 3,775,721</u>	<u>\$ 3,679,701</u>	<u>\$ 3,705,930</u>	<u>\$ 3,249,057</u>	<u>\$ 3,136,477</u>
\$ 711,247	\$ 706,876	\$ 682,575	\$ 698,881	\$ 589,775
1,208,859	1,040,989	520,029	597,320	574,077
356,669	344,664	232,845	213,124	196,599
68,820	55,373	47,912	36,156	54,946
500,616	621,626	673,350	591,459	700,392
432,333	213,336	223,840	220,535	220,633
813,190	262,939	219,226	244,551	539,307
<u>\$ 4,091,734</u>	<u>\$ 3,245,803</u>	<u>\$ 2,599,777</u>	<u>\$ 2,602,026</u>	<u>\$ 2,875,729</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
Members of the City Council  
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Eldridge, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Eldridge, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Eldridge, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eldridge, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We do not consider the deficiency in internal control described in the Part II of the accompanying Schedule of Findings and Questioned Costs, as item 11-II-A, to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs, as item 11-II-A, to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldridge, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City of Eldridge, Iowa's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Eldridge, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Eldridge, Iowa, and to other parties to whom the City of Eldridge, Iowa may report. The report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eldridge, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Miner, Hilson & Meade*  
*Certified Public Accountants, PC*

Clinton, Iowa  
October 19, 2011

**CITY OF ELDRIDGE, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2011**

**Part I: Summary of Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose material weaknesses in internal control over financial reporting.
- (c) A significant deficiencies in internal control over financial reporting was disclosed by the audit of the financial statements.
- (d) The audit did not disclose any noncompliance which is material to the financial statements.
- (e) The City of Eldridge, Iowa was not required to have an audit in accordance with Office of Management and Budget Circular A-133.

**Part II: Findings Related to the Financial Statements**

**Significant Deficiencies**

**11-II-A Segregation of Duties**

Finding: The City of Eldridge, Iowa has a limited number of employees responsible for posting, updating, and maintain the general ledger and subsidiary ledgers. From a control standpoint, this combination of responsibilities does not effectively segregate duties to prevent, or detect and correct misstatements on a timely basis.

Recommendation: We realize segregation of duties is difficult with the limited number and capabilities of office personnel. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. In addition, close supervision and review of financial information by the City Administrator, Council Members, and Board Trustees can help mitigate this condition.

Response and Corrective Action Planned: Certain duties will continue to be rotated among available personnel as feasible. Additionally, cross-training will continue to take place.

Conclusion: Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting**

**11-III-A Certified Budget**

Finding: No disbursements during the year ended June 30, 2011 exceeded the amounts budgeted accordance with Chapter 384.20 of the Code of Iowa, which states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

**11-III-B Questionable Expenditures**

Finding: No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**CITY OF ELDRIDGE, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**Part III: Other Findings Related to Required Statutory Reporting (continued)**

**11-III-C Travel Expenses**

Finding: No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**11-III-D Business Transactions.**

Finding: No business transactions between the City and City officials or employees were noted.

**11-III-E Bond Coverage**

Finding: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

**11-III-F Council Minutes**

Finding: No transactions were found that we believe should have been approved in the Council or Utility Boards minutes but were not.

**11-III-G Deposits and Investments**

Finding: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**11-III-H Revenue Bonds**

Finding: The City has established the sinking reserve funds as required by revenue bonds provisions.

**Part IV: Summary of Prior Findings**

**10-II-A Segregation of Duties**

Comment still valid. Refer to current year finding 11-II-A.